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ABSTRACT

In addition to general rules for good insurance management in school districts, a number of questions are presented for use in evaluating the administrator's effectiveness in insurance management. (FS)

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CRITERIA FOR THE EVALUATION OF INSURANCE MANAGEMENT IN SCHOOL DISTRICTS

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In California, by Education Code, the insurance of school property is mandaotory. The general interpretation is that fire insurance is required, and all other kinds of property insurance, i.e., boiler, theft, glass breakage, etc., are permissive.

In California, school districts with an ADA of 50,000 or more may be self- insured. Those of less than 50,000 must insure according to conditions prescribed by law and subject to the local county counsel's interpretation. The local governing board of each school district, of course, is granted the power to insure the school property of its district.

For the protection of the board of trustees, the employees of the district, its officers and agents, as well as for the protection of the community which has a sizeable investment in school property, it is of extreme importance that the insurance program be adequate, carefully maintained and checked, in other words, administered properly by a qualified person. In any business or organization, insurance management is, of course, an integral part, but particularly in school districts it assumes a more important stature due to the fact that public funds are being administered. While all school districts in California, of course, are not of sufficient size to merit an expert insurance manager, still even the smallest school districts should be able to practice the general rules of good insurance management, and toward this end this list of criteria is being suggested.

1. Some definite named administrator should be responsible for the management of the school insurance program.
2. The systems of operation should be written and thoroughly understood not only by the administrator in charge but by all administrators and employees of the district.
   a. This is probably best done by written board policy, administrative regulations, and organizational charts of authority.
3. Insurance administrator should make sure the operation flows

EF 000 693

through the proper channel and in accordance with these written instructions.

4. The administrator of the program himself should be aware of his responsibilities and his authorities.

5. Administrator must have enough time to pay proper attention to the immediate program, to do research for needs in the future, and to stay abreast of changing regulations both local, state and nation-wide.

6. Administrator should have complete cooperation of his superintendent and all other administrators of the district as well as complete understanding of the board and its cooperation.

All the above, of course, is merely a means of operation and authority to operate. Getting down to specifics, in the state of California most school districts carry, in some amount, insurance against the following: fire, liability and accident, vehicular insurance, Workmen's Compensation (for injuries on the job), burglary, robbery, fidelity bonds, and some of the larger and more financially able districts carry insurance against glass breakage and earthquakes.

In trying to judge the administrator's effectiveness I feel the following questions would have to be answered before I could justly make a decision as to his worth to the school district:

1. Has he placed the insurance to the best advantage for the school district and taken into account service, cost, and adequate coverage of all insurable values?

2. Have sound appraisals and inventories been made? Have they been made by an appraisal firm or someone else on whose appraisal the insurance company will make payment against losses without question?

3. Has the insurance been placed with a reliable broker or agent, with a company that is rated in one of the national rating bureaus?

4. Does the company who handles the insurance have sufficient resources to pay off the total value of the policy in each case?

5. Are all policies concurrent?

6. Is there any overlapping of insurance such as boiler insurance and fire insurance premiums being paid for the same coverage?

7. Have the best premium rates been arrived at?

8. Are records satisfactorily maintained as to movement of equipment and furniture?

9. Has insurance been placed on all positions blanketed at 90% coinsurance? Has this 90% been carefully maintained at all times?

10. Have adequate limits of public liability and property damage been stated in the liability policy or is it far in excess of reality? (Too much s a waste of money, too little is criminal.)

11. Are the latest insurance forms being used, or are there so many endorsements on each policy that it is almost impossible to arrive at a determination of what is actually covered?

12. Are there a minimum number of policies written for the school district? Are they written for the maximum length of time allowed by law in order to protect the district from sudden premium increases? Are they written

in such a way that premium rates can be negotiated in case of:

a. Change of rating in fire protection in your area?

b. Change of rates due to erection of a modern building of a different class?

c. Rehabilitation and modernizing of an existing building into a different class building.

13. Are insurance policies placed with mutual insurance companies? If so, are they subject to assessment? In California it is legal for mutual companies to issue non-assessable policies.

14. If there is an agent of record, are all premiums paid directly to him? (If separate policies or insurance companies are granted business as individuals the total amount of premiums paid by the district then becomes a matter, in California at least, of all insurance agents who reside in the district wishing to receive a share of the premiums. Also, if there is an excessive number of policies written for fire or liability protection, then an excessive number of claims must be made in case of loss, and an excessive number of checks is received to cover same. In many cases, insurance companies will haggle as to what their fair share of the loss should amount to percentage-wise.)

15. Has the administrator given proper thought to his fire policy being placed on replacement value, actual value, depreciated value, or agreed or stated value?

16. Does the fire insurance policy contain extended coverage clauses?

17. Are vandalism and malicious mischief covered?

18. Does the premium for glass breakage exceed the actual loss by an appreciable amount per year?

19. Are fidelity and faithful performance bonds purchased in proper amounts of coverage? Do they actually fit the circumstances and operations of the district?

20. Is a name schedule fidelity bond in effect in the district in proper amount and naming proper personnel?

21. Are the employees protected by the best possible group insurance per dollar value?

22. Is malpractice insurance in effect to protect nurses and doctors employed by the district?

23. Are the district's employees, officers and agents protected from suit due to claim of inefficiency or negligence, false suit, and vehicular accident?

24. Does the administrator understand and continually strive for rate reduction?

25. Are the funds of the district properly protected against loss by burglary and robbery? Is it stipulated that money is covered whether on school district property or in transit, i.e., from cafeteria collections to a central office, from school property to the bank, etc.?

26. Has proper thought been given to comprehensive dishonesty, disappearance and destruction insurance?

27. Has a decision been made on an overall policy which covers all phases of insurance, i.e., a package deal, all risk, against individual policies and

various types of insurance available?

28. Is there a floater policy covering office equipment, band uniforms, instruments, etc., which insures against robbery or breakage loss when these are being transported?

29. Has open stock burglary insurance been considered?

30. Is Workmen's Compensation being enforced properly according to the dictates of, in California, the State Compensation Insurance Fund?

31. Is vehicular insurance in effect? Is the deductible thereon realistic for collision? Is collision insurance carried at all?

32. Does the insurance administrator sit in on planning of new buildings? Does he understand and can influence planning of new buildings as to the various types of construction from an insurance saving standpoint?

33. Is demolition insurance carried or has it been considered?

34. Does the administrator adequately cover the school district in his insurance program during construction periods of new buildings?

35. In contract writing, is the district covered?

36. Are insurance policies in effect on abandoned buildings, unused buildings, buildings that are empty and have little or no value? If so, have the policy values been properly reduced?

37. Does the administrator understand the various insurance forms, terms, and the reason for the use of these?

There are so many more criteria that become too specific to list but which we in California have attempted to put forth in the enclosed manual which I am forwarding to you for your perusal and perhaps for a format should our National Committee wish to do a similar thing including, of course, only those things which are common to all states on a national basis. If further copies of this are needed, would you please contact me by letter.

A little history of this manual: It was originally conceived and written as a joint effort of the California Association of Public School Business Officials Insurance Committee when I served as chairman of the Northern Section in 1956. Of course, by the time of its revision many recommendations, regulations, and laws had changed. In 1961 our Education Code was revised, renumbered, and changed many legal requirements. At this time it became mandatory that we re-write this little manual affixing the new legal requirements and recodifying it in line with the new Education Code of that day.

This may be of no value whatsoever to our national organization. If it is, I am sure that permission would be granted by CAPSBO for its use by the National Committee in any way which the National Committee would see fit.